

Scott Pelath

Indiana State Representative, District 9

How did we get here?

A brief history of Indiana's finances

Gov. Frank O'Bannon called a special legislative session this year to deal with escalating problems in the state budget. Indiana used to have a budget surplus. What has changed?

After the longest economic expansion on record in the 1990s, Indiana's coffers were full to overflowing. Legislators opted to cut taxes rather than keep such a large surplus, and returned over \$1.5 billion in taxes since 1996. Those cuts aided homeowners, renters, the working poor, senior citizens, and others in our state.

By January of 2000, though, the national economy was slowing. Within a few months it was clear that our country's finances were taking a turn for the worse. With Medicaid spending on the rise, 17 states faced budget shortfalls by Fiscal Year 01, Indiana among them. Last July Gov. O'Bannon ordered \$113 million in one-time cuts in an effort to address the growing budget deficit.

The terrorist attacks last September only exacerbated the situation. Consumers spent less. Business slowed, cutting production and cutting jobs. That meant less money flowed into the state accounts from sales taxes, inventory taxes and individual and corporate income taxes.

In May of this year, Indiana revenue collections were 14.7 percent below expectation. Imagine if your paycheck was 14 percent smaller this month. You would find ways to cut back, and then you would re-evaluate your situation.

Gov. O'Bannon made a total of \$949 million in spending cuts in Fiscal Year 02, but our state was still in the red. The legislature met to re-evaluate. House Bill 1001 is the result.

Imagine if your paycheck was 14% smaller this month.

Special session yields compromise

New plan to cut property taxes, save jobs



Summer, 2002

Dear Friends:

In the final days of the recent special session, members of the General Assembly passed a bipartisan program that will significantly impact the lives

of most people in this state.

This plan, contained in House Bill 1001, provides solutions to several serious problems facing Indiana. First, it **protects property owners** - especially senior citizens - from the impact of the reassessment ordered by our un-elected Indiana Supreme Court. Second, it **helps stop cuts in education and health care** for the elderly. Finally, it **overhauls Indiana's tax system** to help create jobs in our state.

The most significant part of House Bill 1001 is the relief it will provide for home, farm and business owners from the court-ordered property reassessment. For homeowners, most of this relief will come through shifting 60 percent of school operating costs to the state, implementing a standard deduction of \$35,000 on all homes and increasing the homestead credit to 20 percent. These changes will help reduce residential property tax rates by double digits.

We also provide **help to working families** on lower incomes by increasing the earned income tax credit. Renters will receive an increase in the deduction they can take on their state income tax returns. I also am pleased that several of my col-

leagues and I were able to beat back efforts to increase Indiana's individual income tax.

Finally, we made several changes in the state's gaming industry that will help our riverboats remain competitive with surrounding states. Riverboats such as Blue Chip now will have a **dockside option** for thwarting unfair competition. Like many others, I have been concerned about the impact a land-based casino in New Buffalo may have on our boat. Blue Chip and other riverboats may now choose this important survival tool to fend off competitors from Michigan and Illinois.

There are tax increases on cigarettes, gambling, and sales included in this legislation, but they are designed to help cut property taxes and maintain education funding. See the back of this card for more information.

Like all compromises, there were provisions that I lauded and others with which I vehemently disagreed. Certainly, there were many things I wish Senate leaders and the Administration would have negoti-

ated differently in this bill. However, at the end of the day, **I believe this bill was far better than doing nothing.** We could not stand aside while senior citizens lost their homes and teachers received pink slips.

I encourage you to contact me with any comments and concerns regarding state government.

Sincerely,

Property tax reform

- Increases Homeowners Exemption from \$6,000 to \$35,000
- Eliminates 60 percent of School General Fund Levy through state-paid Property Tax Replacement Credit
- Increases Homestead Credit from 4 percent to 20 percent
- Establishes new 20 percent Property Tax Replacement Credit on all individual and business real property

Dockside Gaming: A tool for survival

One of the first bills I introduced as a member of the General Assembly was legislation to permit flexible boarding, or "dockside" gaming at Indiana's riverboats. After four years of battling over this issue, I am pleased that the General Assembly finally enacted this key regulatory change.

As many are aware, the Pokagon Band of the Potawatomi Indians plans to open a land-based casino just across the Michigan state line in New Buffalo. Because the tribal-run casino's patrons would be able to come and go at will, Blue Chip could be placed at a significant competitive disadvantage.

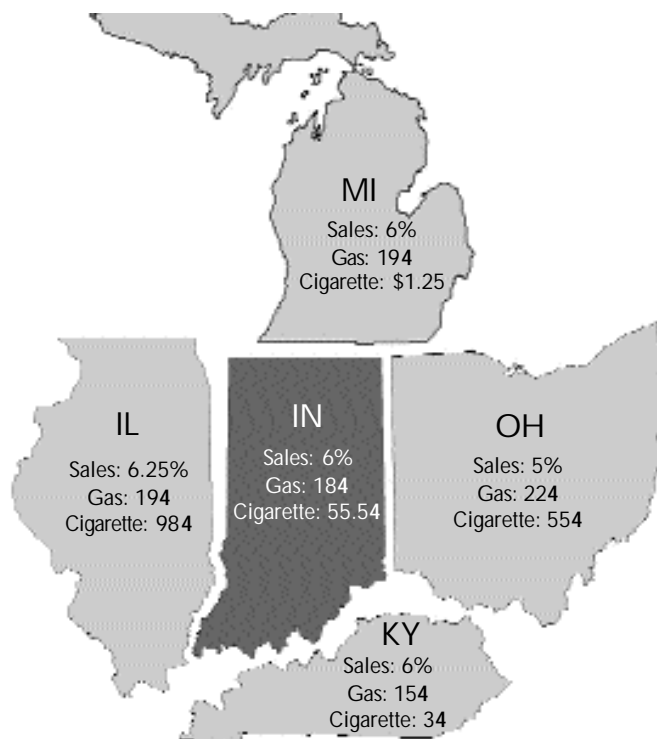
While we are not afraid of competition, the playing field must be level if we are to save local jobs at the riverboat. Dockside gaming will give the riverboats a survival tool to help curtail the loss of business and revenue into Michigan.

New revenue generated by dockside gaming will go to the state to prevent cuts in education and services for senior citizens. While local governments in riverboat counties will maintain their current levels of gaming dollars, we must work in future sessions to allow them an increase as the budget and economy improve.

Like the overall budget compromise, there are aspects of the dockside gaming provision I would have written differently. However, we have worked too hard to simply stand by and not take this step to preserve jobs at the boat.

I welcome your additional thoughts on this matter, and I will be working hard in the next legislative session to make sure our voices are heard.

How does Indiana rank with its neighbors?



Data from the Federation of Tax Administrators

CONTACT REPRESENTATIVE PELATH



Rep. Pelath studies legislation at his desk on the House floor.

LEGISLATIVE OFFICE
House of Representatives
200 W. Washington St.
Indianapolis, IN 46204-2786
1-800-382-9842

ONLINE
www.in.gov/H9
H9@in.gov



**Representative
Scott Pelath**
200 W. Washington St.
Indianapolis, IN 46204-2786

Prsrt Std
U.S. Postage
PAID
Indiana House of
Representatives